



Annual Report
2005

Anterra Corporation ("Anterra") Anterra Corporation ("Anterra") is an emerging energy company with a focus on the exploration and exploitation of oil and gas reserves and the development of associated fee-based projects in western Canada. Anterra is a public Canadian company listed on the TSX Venture Exchange under the symbol ATR and currently operates through its two wholly owned subsidiaries; Anterra Resources Inc. and Anterra Midstream Inc.

What sets Anterra apart from its peers is that it is first an acquirer and exploiter of existing oil and gas reserves with a dual strategy to aggressively develop these reserves and fully utilize the associated midstream processing facilities by offering third party services, while at the same time expanding the play concept onto adjoining acreage. The Company also allocates up to 10% of its capital budget to fund the pursuit of new exploration concepts.

2005 Operational Highlights

- Exited 2005 with production of 300 boepd up from 200 boepd in 2004.
- Breton exit production grew from 170 boepd in 2004 to 240 boepd in 2005.
- Company wide revenue grew 66 per cent in 2005 to \$4,975,000 from \$2,985,000 in 2004.
- Proved plus probable reserves increased by 24% to 706 mboe in 2005 from 568 mboe in 2004.
- Proved reserves increased by 39% to 517 mboe in 2005 from 371 mboe in 2004.
- Proved plus probable reserve life index (RLI) of 8.3 years (4th ¼ annualized production)
- Reserve additions in 2005 replaced production by 1.8 times on a total proved plus probable basis.
- Net present value of proved plus probable reserves at year-end of \$13.4 million, an increase of 46% over the \$9.19 million reported in 2004.

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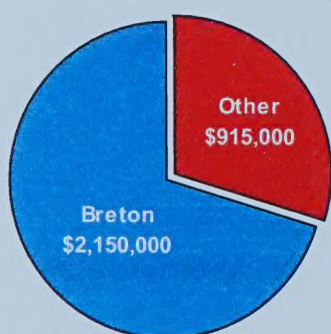
Notice of Annual Meeting of Shareholders

The Anterra Corporation Annual Meeting will be held at the offices of Macleod Dixon LLP at 3700, 400 – 3 St. SW, Calgary, Alberta on May 18, 2006 at 9.30 am.

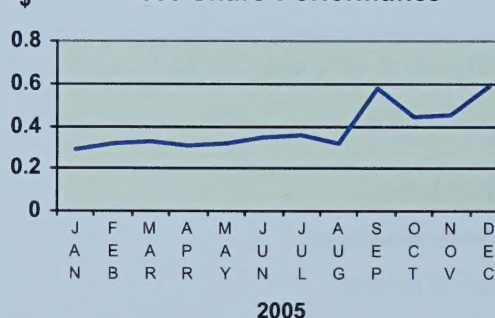
Selected Financial Information for 2005

	Three Months Ended December 31		Year Ended December 31	
	2005	2004	2005	2004
Total net revenue	\$ 1,468,205	\$ 973,465	\$ 4,974,609	\$ 2,985,412
Oil and gas operating margin	\$ 816,797	\$ 358,115	\$ 2,730,399	\$ 1,090,638
Boepd for the period	230	161	206	140
Net back \$/boe for the period	\$38.34	\$23.84	\$36.07	\$20.89
Funds flow from operations	\$ 640,120	\$ 340,849	\$ 1,653,658	\$ 907,179
Funds flow per share	\$ 0.029	\$ 0.018	\$ 0.075	\$ 0.050
Net income	\$ 123,907	\$ 147,586	\$ 448,029	\$ 275,473
Net income per share	\$ 0.006	\$ 0.008	\$ 0.020	\$ 0.015
Operating costs per boe	\$21.14	\$26.84	\$20.10	\$25.15
G and A per boe	\$12.70	\$9.14	\$12.07	\$9.60
Total assets	\$ 11,094,957	\$ 8,229,728	\$ 11,094,957	\$ 8,229,728
Capital Expenditures	\$ 1,493,145	\$241,776	\$3,064,580	\$ 1,551,359
Bank debt plus working capital	(\$ 2,858,182)	(\$2,181,696)	(\$ 2,858,182)	(\$ 2,181,696)
Shareholders' equity	\$ 4,300,302	\$ 2,916,414	\$ 4,300,302	\$ 2,916,414
Weighted average shares o/s	22,191,000	17,970,000	22,191,000	17,970,000

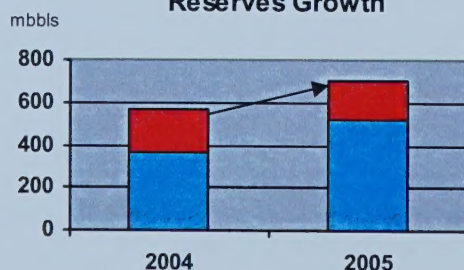
2005 CAPEX



2005 Share Performance



Reserves Growth



■ Proven ■ Probable

President's Message

2005 was another good year for Anterra with production growth of 47%, which when combined with strong commodity prices, resulted in record earnings and cash flow. The highlight of the year was the discovery and exploitation of natural gas in the Belly River sands at Breton. The Company's strategy is to build shareholder value by pursuing small accretive acquisitions with significant exploitation opportunities and to follow up these acquisitions with a technical assessment, full exploitation and development drilling and expansion of the concept onto adjoining acreage. This approach allows the Company to pursue repetitive projects without the risk of grass roots exploration. Current operations are located in two regions; the central Alberta area around Breton where Anterra is involved in a large Belly River sands oil development and in southeast Alberta where the Company is pursuing oil development in the Sunburst sands and Pekisko formation. Over the next two years Anterra's growth is anticipated to come from new acquisitions, an extensive oil exploitation initiative at Breton, the development of the recently acquired Matziwin property and expansion of the Company's remaining southeast Alberta properties. The Breton area in central Alberta continued to dominate capital spending in 2005 and with an extensive oil development plan proposed for 2006, is expected to remain a core focus for the next one to two years. During 2005, twelve recompletions were attempted with a success rate of over 90%. The technical team has identified over twenty development locations at Breton and in 2006 the Company will drill at least six development wells on this property. With full development including a successful reengineered waterflood implementation, it is anticipated that Breton may be capable of producing much greater volumes of oil than originally planned for. During 2005 the Company ran an extensive 3-D seismic program adjacent to one of its southern Alberta core properties and the technical team is developing an exploration plan for the opportunities identified. Up to three exploration wells will be drilled on the identified targets during 2006. Despite significant exploration and development expenditures in 2005, the Company is cash taxable and management is seeking strategies to defer some of this future tax liability.

The year 2005 represents three consecutive years of continuous profitable growth for Anterra since commencing operations as an oil and gas company in November 2002. In the face of record industry activity levels in 2005 and a corresponding rising cost environment, Anterra executed its business strategy in a disciplined and consistent manner. During the year, our successful exploitation program coupled with very strong commodity prices resulted in Anterra achieving record production, funds flow from operations and net income. In addition, Anterra continued to exercise stringent cost controls and achieved solid reserve additions resulting in attractive finding and development costs and a strong recycle ratio of 2.0:1. In 2005, Anterra was successful in replacing 1.8 times its annual production.

Other significant accomplishments for Anterra include:

- Since inception as an energy company on November 7, 2002, Anterra has delivered a total return to its shareholders of 500%. For 2005, the return to investors, as measured by the 10 day moving average share price at year end was 77%. With continuing high commodity prices and strong operational results, Anterra aims to continue providing above average returns to its shareholders;

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- Operationally, production volumes averaged 206 boe per day during 2005, which represents a 47% increase over the 140 boe per day reported in 2004 and the netback on 2005 oil and gas sales was \$36.07 per barrel an increase of 73% over the \$20.89 netback on oil and gas sales reported in 2004.
 - We added 138 mboe of proved and probable reserves during 2005, which replaced annual production by 1.8 times and improved the Company's proved and probable reserve life index to 8.3 years. These reserves were added at an attractive finding and development cost, including changes in future capital expenditures, of \$19.73 per boe on a proved basis (or \$16.99 per boe excluding future capital) and \$20.87 per boe on a proved and probable basis (or \$17.97 per boe excluding future capital);
 - The Company maintained an active capital program during 2005, investing \$3.0 million in exploitation and development activities;
 - Funds flow from operations were \$1.65 million (\$0.075 per share) in 2005, an increase of 82% when compared to the \$0.91 million (\$0.05 per share) reported in 2004;
 - Anterra continued to record strong profitable growth in 2005 with an average return on shareholder equity of 12% and a net income to funds flow from operations ratio of 27%; and
 - During the year, the existing bank loan facility was increased to \$3.0 million, which provides significant financial flexibility to take advantage of future investment opportunities in 2006 and beyond.

Our production base is weighted 33% towards natural gas and geographically focused within select medium depth, multi-zone regions in Alberta. In order to facilitate efficient operations, Anterra focuses its activities into core regions where it has infrastructure and can over time assemble a land base. In addition, the Company aims to hold high working interests and to operate its assets, thereby ensuring that operating and capital cost efficiencies are maintained. Where the opportunity exists the Company will provide fee-based processing services to third parties from its pipeline connected processing facilities as a means of lowering operating costs at each location.

Anterra has assembled a focused inventory of producing properties in central and southern Alberta. Going forward however, the Company needs to assemble a much larger base of exploratory lands as land inventories enable continuous exploitation of play types and geological trends, and repeatable projects will greatly reduce overall exploration risk.

Our technical team brings a successful track record of executing low to medium risk exploration and development programs, including both asset and corporate acquisitions, along with sound financial management. The management team, along with a strong Board of Directors, possess extensive experience in oil and natural gas operations, corporate governance and financial management. Directors and management also own approximately 40% of the Company, resulting in an alignment of interests with all shareholders.

Outlook

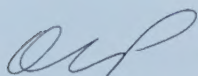
Over the last three years we have invested \$5 million and have grown reserves from zero to 820 mboe on a proven and probable basis at an average cost of \$6.88 per boe. For 2006 our CAPEX budget is \$6 million to be spent on strategic acquisitions, and internally generated drilling and exploitation projects in our two core areas in Breton and southeast Alberta. This program will be allocated between drilling extension and infill wells in existing project areas and increasing our footprint in our core areas and will provide a good balance between generating growth in 2006 and developing new opportunities for 2007.

Production in the first quarter of 2006 is behind our expectations as a result of declines associated with our Breton gas wells which were tied-in late 2005. We expect wells completed in the upper Belly River gas reservoirs will show high initial rates of decline and then level off to their subsequent longer life production profile. The rate of initial decline experienced in certain of our newer wells, coupled with longer lead times in putting first quarter wells on production, will result in relatively flat production in the first quarter of 2006 when compared with 2005 exit production.

Upon completion of the first quarter's capital program we expect production capacity to be in excess of 300 boe per day while our 2006 exit target remains at 600 boepd. Anterra's cash flow estimates are sensitive to movements in commodity prices and we are forecasting a gas price of \$7.75 per mcf and an oil price of US\$50 per barrel for 2006. We view the recent decline in gas prices as reflecting the lower end of the trading range and we also note that oil prices continue to exceed our budget forecast. Our resulting cash flow estimate for 2006 is \$3 million, or approximately \$0.10 per share.

We encourage anyone interested in further details of our properties, operations and financial performance to visit our website at www.anterra.org.

On behalf of the board of directors,



Owen C. Pinnell,
Chairman and Chief Executive Officer

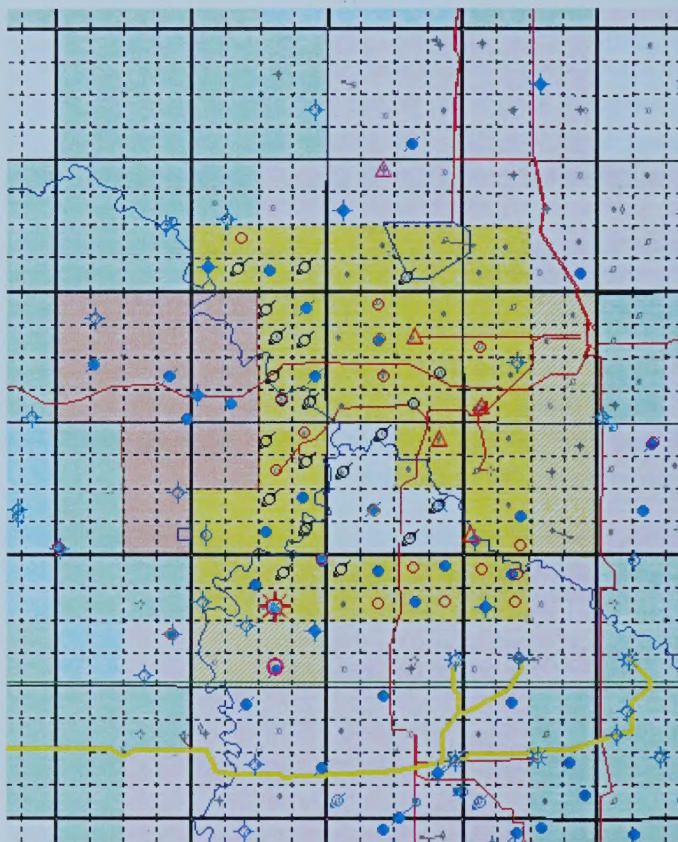
Anterra Operations

During 2005, Anterra continued to exploit its producing properties with a strong focus on Breton, and continued to develop its third party midstream processing services with the goal of lowering unit oil and gas operating costs. The primary exploitation focus will again be on Breton with up to twelve development wells targeting oil planned for 2006 with a secondary focus on Matziwin where the Company sees significant opportunity to exploit its recently acquired Pekisko oil pool. On the exploration front Anterra has several developing exploration opportunities on its own lands and on open crown lands.

Breton

Building on the successful work carried out in 2004, the Company carried out workover activity on seven Breton oil wells during 2005. In addition, five low productivity oil wells were recompleted as gas producers. As a result of these efforts, overall production from Breton increased to 240 boepd exiting 2005, compared to 170 boepd at the end of 2004. During 2005, the Company entered into a farm-in agreement with a major offset producer to complete the spacing unit requirements for new gas wells. Through this farm-in agreement, the Company has earned an additional 960 (net) acres, bringing our total land base at Breton up to 5,600 net acres.

Third party midstream oil processing continued to contribute positively to Breton operations, with 3rd party processing volumes averaging 330m³/day in 2005, compared to 310m³/day in 2004.



The development of mature oil fields can sometimes present unexpected challenges and the past year was no exception with the Company experiencing two salt water injection line breaks in December 2005. Cleanup activity is ongoing and management is confident that the majority of the cleanup costs will be covered by insurance. The Company has subsequently implemented changes to its maintenance and inspection programs to reduce the likelihood of similar incidents occurring in the future.

2006 will see the Company significantly increase the pace of development activity at Breton with a focus on rapid oil production increases. In addition to ongoing workover and recompletion

work, the Company will initiate an aggressive drilling program to pursue unexploited oil reserves in the Breton pool. The first phase of this program will see the Company drill four infill wells during the second quarter. Successful results from the first phase of the program will see the Company drill an additional four to eight infill wells by year end. The Company's technical staff will continue to assess gas reserves on the property but finding and developing these reserves remains a technical challenge due to the nature of the reservoir and the uncertainties associated with entering old wells. Management has targeted Breton production to exit 2006 at 400 boepd.

Southeast Alberta

Oil production from SE Alberta averaged 25 boepd in 2005, and with the recently acquired Matziwin property this has increased to 50 boepd. Third party water disposal volumes at Suffield averaged 56m³/day in 2005, compared to 11m³/day in 2004, reflecting a full year of operation of the Suffield water disposal facility. The addition of Class 1b waste water disposal in Q3/05 will provide additional midstream disposal revenue, and will further enhance the profitability of the Company's SE Alberta operations.

In late Q3/05, the Company carried out a three-section 3-D seismic shoot over lands adjacent to its Suffield operations. Based on information derived from review of the seismic data, the Company plans to drill up to three wells in the Suffield area during the last half of 2006.



During the first quarter of 2006, the Company completed the acquisition of Panterra Energy Corp. Ltd., which has added 30 bpd of oil production to our SE Alberta operations. The Company believes that there is a significant volume of unexploited oil on this property and management has initiated a comprehensive workover program for the second quarter of 2006. Subject to the success of this program, plans are being made to drill at least one additional well on the property before year end. Management has targeted SE Alberta production to exit 2006 at between 150 to 200 boepd.

The Company has continued to strengthen its management team and during 2005 added three experienced industry professionals; Gerry Cartmell, P.Eng., VP Engineering & Production, Hugh Stewart, P.Geol., VP Oil & Gas, and Steve Brown, B.Sc., VP Land. For 2006, the Company is well positioned to continue its growth, and we look forward to updating our shareholders on our progress throughout the year.

"Signed"

R. D. (Bob) McCuaig
Executive VP & General Manager

Management Discussion and Analysis

The following discussion is management's analysis of Anterra Corporation's ("Anterra" or the "Company") operating and financial data for the year ended December 31, 2005 and prior periods, as well as estimates of future operating and financial performance based on information currently available. It should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2005. The Management Discussion and Analysis ("MD&A") was prepared as of April 11, 2006.

Operating Summary

The Company carries out exploration, development, and production of oil and gas in two core operating areas, Breton and southeast Alberta. The Company also offers fee-based third party processing services in both core operating areas. The following table outlines the operations for these two segments for the three months ended December 31, 2005, and the twelve months ended December 31, 2005 compared to the same periods in 2004 along with the other costs of the Company for the periods.

	Three Months December 31, 2005	Three Months December 31, 2004	Twelve Months December 31, 2005	Twelve Months December 31, 2004
Oil and Gas Production				
Revenue	\$ 1,380,537	\$ 803,499	\$ 4,589,724	\$ 2,521,385
Royalties	(121,215)	(50,770)	(360,319)	(162,844)
Gross overriding royalties	5,020	4,018	13,990	20,360
Net revenue	1,264,342	756,747	4,243,395	2,378,901
Operating costs	447,545	398,632	1,512,996	1,288,263
Oil and gas operating margin	816,797	358,115	2,730,399	1,090,638
Processing				
Revenue	269,705	317,150	963,315	944,692
Operating costs	227,498	168,900	783,762	529,498
Processing operating margin	42,207	148,250	179,553	415,194
Other revenue	340	250	488	400
Inter-segment revenue and cost	(66,182)	(100,682)	(232,589)	(338,581)
Total Net Revenue	1,468,205	973,465	4,974,609	2,985,412
Total Operating Costs	608,861	466,850	2,064,169	1,479,180
Total Operating Margin	859,344	506,615	2,910,440	1,506,232
Expenses				
General and administration	268,638	135,420	907,382	491,049
Stock compensation	73,262	3,498	201,423	24,566
Interest	31,465	27,530	130,475	105,188
Loss on sale of assets	-	-	242	-
Depletion, depreciation, accretion	403,531	152,069	1,127,945	533,950
Total Expenses	776,896	318,517	2,367,467	1,154,753
Net Profit Before Tax	82,448	188,098	542,973	351,479
Provision For Taxes	(41,459)	40,512	94,944	76,006
Net Profit	123,907	147,586	448,029	275,473
Earnings per share				
Basic	0.006	0.008	0.020	0.015
Fully Diluted	0.006	0.008	0.020	0.015
Weighted Average Number of Shares In Thousands	22,191	17,970	22,191	17,970
Funds Flow From Operations	640,120	340,849	1,653,658	907,179
Funds Flow Per Share	0.029	0.018	0.075	0.050

Funds flow from operations is not a recognized measure under Canadian generally accepted accounting principles (GAAP). However, management believes that funds flow from operations is a useful measure of financial performance. For the purposes of funds flow from operations calculations, funds flow is defined as "Funds flow from operations" before changes in non-cash operating working capital.

Annual Financial Information

	Year Ended December 31		
	2005	2004	2003
Revenues	\$ 5,334,928	\$ 3,148,256	\$ 1,916,686
Net Profit (Loss)	448,029	275,473	(50,026)
Per Share- Basic	0.020	0.015	(0.003)
Per Share- Fully Diluted	0.020	0.015	(0.003)
Total Assets	11,094,957	8,229,728	5,316,293
Total Long Term Debt	-	-	20,282

Quarterly Financial Information

	4th Quarter 2005	3rd Quarter 2005	2nd Quarter 2005	1st Quarter 2005
Net Revenue	\$ 1,468,205	\$ 1,385,924	\$ 1,086,000	\$ 1,034,480
Oil and gas operating margin	816,797	770,611	585,696	557,295
Processing operating margin	42,207	97,415	(5,177)	45,108
Net Profit	123,907	126,492	84,126	113,504
Earnings per share				
Basic	0.006	0.006	0.004	0.005
Fully Diluted	0.006	0.006	0.004	0.005
Weighted Average Number of Shares In Thousands	22,191	21,979	21,930	21,930
Funds Flow From Operations	640,120	485,967	267,025	260,546
Funds Flow Per Share	0.029	0.022	0.012	0.012

	4th Quarter 2004	3rd Quarter 2004	2nd Quarter 2004	1st Quarter 2004
Net Revenue (1)	\$ 973,465	\$ 811,099	\$ 643,379	\$ 557,469
Oil and gas operating margin	358,115	308,113	225,856	198,554
Processing operating margin	148,250	81,505	96,648	88,791
Net Profit (1)	147,586	71,254	38,654	17,979
Earnings per share (1)				
Basic	0.008	0.004	0.002	0.001
Fully Diluted	0.008	0.004	0.002	0.001
Weighted Average Number of Shares In Thousands	17,970	17,380	17,380	17,380
Funds Flow From Operations	340,849	240,252	173,788	152,290
Funds Flow Per Share	0.018	0.014	0.010	0.009

(1) Certain amounts were restated to reflect the retroactive application of changes in accounting policies as indicated in the notes to the financial statements for the years ended December 31, 2004.

Oil & Gas Production

The increase in production during the year is a result of the exploitation activities on the Company's core oil and gas properties at Breton in central Alberta, and Scots Lake and Suffield in southeast Alberta. The recompletion, reperforating and stimulation program that began at Breton in 2004, continued through 2005, and is still ongoing in the current year. The Breton 2005 exploitation program consisted of the recompletion of 5 wells during the second quarter of the year and recompletion of 4 more wells during the third quarter and fourth quarters. All of the recompletions were successful. The Breton wells are now producing in the order of 240 boepd. This increase in Breton production together with production from the company's other properties brought total production up to approximately 270 boepd for December 2005 and with the impact of the acquisition of Panterra Energy Corp. Ltd., will be at 300 boepd at the end of the first quarter of 2006.

Oil & Gas Production

	Three Months December 31, 2005	Three Months December 31, 2004	Twelve Months December 31, 2005	Twelve Months December 31, 2004
Oil (bbl/d)	162	135	152	120
Natural Gas (mcf/d)	378	145	297	110
NGLs (bbl/d)	5	2	4	2
Total (boe/d)	230	161	206	140

Oil & Gas Revenue and Realized Prices

Commodity prices maintained strength throughout 2005 compared to 2004. The outlook is for commodity prices to remain strong in 2006.

	Three Months December 31, 2005	Three Months December 31, 2004	Twelve Months December 31, 2005	Twelve Months December 31, 2004
Oil				
Revenues	\$1,014,364	\$695,948	\$3,706,489	\$2,210,612
Prices \$/bbl	\$67.91	\$55.89	\$66.59	\$50.42
Natural Gas				
Revenues	\$338,979	\$98,969	\$795,991	\$283,244
Prices \$/mcf	\$9.74	\$7.42	\$7.34	\$7.02
NGL's				
Revenues	\$27,194	\$8,582	\$87,244	\$27,529
Prices \$/bbl	\$62.18	\$48.88	\$55.97	\$41.98
Total				
Revenues	\$1,380,537	\$803,499	\$4,589,724	\$2,521,385
Price \$/bbl	\$65.20	\$54.10	\$60.96	\$49.22

Gross Overriding Royalty Income

Two farm in gas wells drilled at Breton generate gross overriding royalties to the Company until payout. These wells have provided gross overriding royalties of \$13,990 for the twelve months ended December 31, 2005, (2004 – \$20,360).

Oil & Gas Royalties Expense

Total royalties including crown royalties were \$121,215 for the fourth quarter of 2005 and \$360,319 for the twelve months ended December 31, 2005 as compared to \$50,770 for the fourth quarter of 2004 and \$162,844 for the twelve months ended December 31, 2004. This represented \$ 5.72 per boe for the fourth quarter of 2005 and \$ 4.79 per boe for the twelve months ended December 31, 2005 as compared to \$ 3.42 per boe for the fourth quarter of 2004 and \$ 3.18 per boe for the twelve months ended December 31, 2004. Higher gas volumes in 2005 resulted in the average royalty per boe increasing over the previous year. This higher average rate will likely continue if the volume of natural gas production continues to increase.

Oil & Gas Operating Costs

Total operating costs for the fourth quarter of 2005 were \$447,545 or \$21.14 per boe, including \$44,764 for inter-company processing charges and \$91,772 for repairs and maintenance. Operating costs for the 2005 year were \$1,512,996 or \$20.10 per boe, including \$172,282 for inter-company processing charges and \$266,825 for repairs and maintenance. Operating costs were \$398,632 or \$26.84 per boe in the fourth quarter of 2004 and \$1,288,263 or \$25.15 per boe for the 2004 year. Inter-company charges were eliminated for consolidation purposes.

Oil & Gas Operating Net Back

	Three Months December 31, 2005	Three Months December 31, 2004	Twelve Months December 31, 2005	Twelve Months December 31, 2004
Average realized price (\$/boe)	\$65.20	\$54.10	\$60.96	\$49.22
Royalties, net of ARTC (\$/boe)	5.72	3.42	4.79	3.18
Operating expenses (\$/boe)	21.14	26.84	20.10	25.15
Operating net back (\$/boe)	\$38.34	\$23.84	\$36.07	\$20.89

Processing

Processing revenue for the fourth quarter of 2005 was \$269,705 compared to \$268,987 in the third quarter of 2005 and \$317,150 in the fourth quarter of 2004, reflecting a decrease in inter-company processing charges. During the third quarter, the Company received the Class 1b license at Suffield in southeast Alberta and started receiving waste water for disposal. The Company also completed a processing capacity upgrade at Breton in the fourth quarter.

Processing Operating Costs

Processing operating costs for the fourth quarter of 2005 were \$227,498 (including \$21,418 of inter-company charges) and \$783,762 (including \$60,307 of inter-company charges) for the twelve months ended December 31, 2005 compared to \$168,900 in the fourth quarter of 2004 and \$529,498 for the twelve months ended December 31, 2004. Inter-company charges were eliminated for consolidation purposes.

General and Administrative Expenses

General and administrative expenses for the fourth quarter of 2005 were \$268,638 and \$907,382 for the twelve months ended December 31, 2005 as compared to \$135,420 for the fourth quarter of 2004 and \$491,049 for the twelve months ended December 31, 2004. The increase in general and administrative expenses reflect increases in staffing during the second half of the year to direct the expanded business plan.

Interest Expense

Interest expense for the year includes an interest provision of \$4,946 on the unspent portion of the flow-through funds. Interest expense for the year was \$130,475 and for the fourth quarter was \$31,465 compared to \$105,188 for the year and \$27,530 for the fourth quarter of 2004, reflecting the higher debt level in the company.

Depletion, Depreciation and Accretion

Depletion, depreciation and accretion expense increased to \$403,531 in the fourth quarter of 2005 and \$1,127,945 for the twelve months ended December 31, 2005 compared to \$152,069 for the fourth quarter of 2004 and \$533,950 for the twelve months ended December 31, 2004. This increase is due to the increase in production volumes and the new properties acquired in 2004.

Net Profit and Loss

The Company has continued to remain profitable. Net profit for the fourth quarter of 2005 was \$123,907 compared to \$147,586 for the fourth quarter of 2004, reflecting higher G&A and stock compensation expenses. Overall, net income in 2005 was \$448,029 compared to \$275,473 in 2004, reflecting increased production, and continued strength in commodity prices.

In 2006 there will be further improvement as Breton gas production comes on stream and the benefits of the Company's acquisition of Panterra Energy Corp. Ltd. are realized. At current prices and with growing production volumes, results are expected to strengthen.

Production of oil and gas increased during 2005 from 170 boepd at the end of 2004 to 270 boepd exiting 2005. This increase together with production from the company's other properties and completion of its acquisition of Panterra Energy Corp. Ltd. will bring production up to approximately 300 boepd at the end of the first quarter of 2006.

Capital Expenditures and Commitments

The Company spent \$3,064,580 on capital expenditures during the year. Of this \$2,480,333 was spent on oil and gas development expenditures, \$442,064 was spent on seismic, and \$142,183 was spent on the purchase of processing and other assets.

The Company has budgeted to spend \$6 million in capital expenditures in 2006. The Company intends to drill four oil wells at Breton, and complete several well workovers on its properties during the second quarter. An additional five wells are planned to be drilled before year end. The Company is also continuing its geological studies in all its core areas.

Liquidity and Capital Resources

The Company experienced increasing positive cash flow from operations during 2005 and expects positive cash flow from operations to continue throughout 2006. The Company has available bank debt as noted below. As indicated in the above Capital Expenditures and Commitments, the Company plans to expend funds on recompletion and drilling in its core areas. As these plans are developed the Company intends to raise additional capital to fund these initiatives in addition to the funds flow and available bank debt.

During 2005 the Company repaid \$209,000 on the 5% subordinated debentures outstanding and extended payment on the balance of \$171,000. This amount was repaid on March 31, 2006.

Bank Debt

At year end the Company had available a \$3,000,000 revolving demand loan facility with a Canadian chartered bank. The loan bears interest at prime plus 3/4 % and is secured by a general assignment of book debts and a \$10,000,000 first floating charge debenture over all assets of the Company. At December 31, 2005 there was a balance outstanding on the loan of \$2,050,000. On March 15, 2006 the facility was increased to \$4,000,000 and a further \$500,000 non-revolving acquisition demand loan provided bearing an interest rate of prime plus 1%, and with monthly reductions of \$20,000 commencing May 31, 2006. These facilities are subject to an annual review by April 30, 2006.

Share Capital

At December 31, 2005 there were 23,865,000 common shares outstanding. At December 31, 2005 there were 2,210,000 stock options outstanding at a weighted average exercise price of \$0.39.

On the exercise of stock options, the Company issued common shares at a price of \$0.15 in amounts of 80,000 on August 3, 2005 and 575,000 on September 15, 2005 for net proceeds of \$110,750. On December 14, and 15, 2005, the Company issued 1,280,000 common shares as consideration for a private placement of common shares at a price of \$0.50 per share for net proceeds of \$636,186 after share issue costs.

On March 10, 2005 stock options were granted for 250,000 common shares exercisable at \$0.29 per share. The options vest equally on the first, second and third anniversary of the issue date. On May 18, 2005 stock options were granted for 125,000 common shares exercisable at \$0.315 per share. Of the 125,000 options granted, 75,000 vest immediately and the remaining 50,000 options were subsequently cancelled. On September 15, 2005 stock options were granted for 1,075,000 shares exercisable at \$0.50 per share. Of the 1,075,000 options granted 591,667 vest immediately with the remaining 483,333 options vesting equally on the first and second anniversary of the grant date. On November 3, 2005 stock options were granted for 250,000 common shares exercisable at \$0.48 per share. Of the 250,000 options granted 83,333 vest immediately with the remaining 166,667 options vesting equally on the first and second anniversary of the grant date.

Related Party Transactions

The private placement of 1,280,000 Common Shares on December 14 and 15, 2005 included 550,000 shares issued to directors and officers of the Company.

The private placement of 2,850,000 flow-through Common Shares on November 5, 2004 included 1,341,034 shares issued to directors and officers of the Company.

For the twelve months ended December 31, 2005, a corporation owned by an officer and director charged \$57,900 (2004 - \$47,685) to the Company for office space and related services. A legal firm of which a director is a partner charged the Company \$30,437 (2004 - \$39,400) for fees and services.

At the end of March 2004 the Company entered into a lease whereby it leased its office space and related services from the director's corporation. The lease, which is subject to review, currently requires a monthly payment of \$5,800 and is for a period of three years and expires on March 31, 2007.

All related party transactions in the normal course of operations have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties.

Disclosure Controls and Procedures

As at December 31, 2005, an evaluation was carried out under the supervision of and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2005 to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be known to them by others within those entities.

Business Risks

Crude oil and natural gas exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing government law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance is also maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.

Financial risks include commodity prices, interest rates and the Canadian/United States exchange rate, all of which are beyond the Company's control. The Company sells all of its production on the spot market and does not currently have a hedge program in place.

FINANCIAL STATEMENTS

Management's Report

The accompanying financial statements of Anterra Corporation and all information in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and within the framework of the Company's significant accounting policies as described in the notes to the financial statements. In the opinion of management, the financial statements have been prepared with acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles ("GAAP") appropriate in the circumstances.

Financial information presented throughout the Annual Report has been prepared and reviewed by management to ensure it is consistent with that shown in the financial statements.

Management is responsible for the integrity of the financial statements. Management maintains appropriate systems of internal control to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records are properly maintained to provide reliable financial information for the preparation of financial statements.


As at December 31, 2005, an evaluation was carried out under the supervision of and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2005 to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be known to them by others within those entities.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility through its Audit Committee. The Audit Committee of the Corporation's Board of Directors, comprised of non-management Directors, recommends the nomination of the independent auditors and meets with management and the independent auditors to satisfy themselves that management fulfills its responsibilities for financial reporting and control. The Committee reviews the financial statements with the external auditors, considers auditors independence and approves the auditors' fees.

The financial statements, including the notes to the financial statements, have been audited by Deloitte & Touche LLP, independent auditors, and have been approved by the Board of Directors on the recommendation of the Audit Committee.



Owen C. Pinnell
Chairman and CEO



Giles Parker
Vice President, Finance and CFO

Calgary, Alberta
March 17, 2006

Auditors' Report

To the Shareholders of
Anterra Corporation

We have audited the consolidated balance sheet of Anterra Corporation as at December 31, 2005 and the consolidated statements of income and retained earnings (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

The comparative consolidated financial statements provided herein as at and for the year ended December 31, 2004 were audited by another firm of chartered accountants, who rendered an opinion without reservation on these financial statements in their report dated March 15, 2005.

(signed) "DELOITTE & TOUCHE LLP"

Calgary, Alberta
March 17, 2006

Chartered Accountants

Anterra Corporation
Consolidated Balance Sheets

As at December 31

2005

2004

Assets

Current

Cash and cash equivalents	\$ 698,602	\$ 125,635
Accounts receivable (Note 4 (a))	788,844	573,326
Deposits and prepaid expenses	170,219	119,336
	<u>1,657,665</u>	<u>818,297</u>

Property and equipment (Note 5)	8,528,573	6,494,173
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Intangible assets (Note 6)	302,702	311,241
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Goodwill (Note 3)	606,017	606,017
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	<u>\$ 11,094,957</u>	<u>\$ 8,229,728</u>
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Liabilities and Shareholders' Equity

Current

Accounts payable and accrued liabilities	\$ 2,070,789	\$ 821,895
Bank loan (Note 7)	2,050,000	1,775,000
Income taxes payable	224,058	2,816
Current portion of long term debt (Note 8)	171,000	400,282
	<u>4,515,847</u>	<u>2,999,993</u>

Asset retirement obligation (Note 9)	1,083,540	994,073
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Future income taxes (Note 12(b))	1,195,268	1,319,248
	<u>6,794,655</u>	<u>5,313,314</u>

Share capital (Note 10(b))	3,741,633	2,994,697
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Contributed surplus (Note 11)	213,489	24,566
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Retained earnings (deficit)	345,180	(102,849)
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	<u>4,300,302</u>	<u>2,916,414</u>
	<u>\$ 11,094,957</u>	<u>\$ 8,229,728</u>

Commitments and Contingencies (Note 15)

Approved on behalf of the Board:

"Signed" Director
Owen Pinnell

"Signed" Director
James Coleman

The accompanying notes are an integral part of these consolidated financial statements.

Anterra Corporation

Consolidated Statements of Income and Retained Earnings (deficit)

For the years ended December 31

2005

2004

Revenues

Revenue	\$ 5,334,928	\$ 3,148,256
Royalties	(360,319)	(162,844)
	<u>4,974,609</u>	<u>2,985,412</u>

Expenses

Operating	1,957,654	1,432,274
Transportation	106,515	46,906
General and administrative	907,382	491,049
Stock compensation (Note 16)	201,423	24,566
Interest on long term debt	130,475	105,188
Loss on sale of assets	242	-
Asset retirement accretion	89,467	78,189
Depletion, depreciation and amortization	1,038,478	455,761
	<u>4,431,636</u>	<u>2,633,933</u>

Income before taxes

<u>542,973</u>	<u>351,479</u>
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Income taxes (Note 12)

Current	218,925	2,816
Future	(123,981)	73,190
	<u>94,944</u>	<u>76,006</u>

Net profit for the year

448,029	275,473
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Deficit beginning of year

<u>(102,849)</u>	<u>(378,322)</u>
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Retained earnings (deficit), end of year

\$ 345,180	\$ (102,849)
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Basic profit per share (Note 14)

\$ 0.020	\$ 0.015
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Diluted profit per share (Note 14)

\$ 0.020	0.015
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The accompanying notes are an integral part of these consolidated financial statements.

Anterra Corporation
Consolidated Statements of Cash Flows

For the years ended December 31

2005

2004

Cash flows from operating activities

Operations

Net profit for the year \$ 448,029 \$ 275,473

Items not involving cash

Stock compensation 201,423 24,566

Depletion, depreciation and amortization 1,038,478 455,761

Asset retirement accretion 89,467 78,189

Loss on sale of assets 242 -

Future income taxes (123,981) 73,190

Funds flow from operations 1,653,658 907,179

Change in non-cash working capital balances

Accounts receivable (215,518) (342,955)

Deposits and prepaid expenses (50,883) (29,224)

Accounts payable 1,248,894 426,837

Income taxes payable 221,242 2,816

Cash flow from operating activities 2,857,393 964,653

Financing activities

Issue of common shares 738,250 870,000

Share issue costs (3,814) (10,035)

Bank loan 275,000 600,000

Payments of long term debt (209,000) (180,000)

Payments on capital lease (20,282) (6,061)

780,154 1,273,904

Investing activities

Cash paid on acquisition, net of cash acquired - (994,525)

Additions to property and equipment (3,065,680) (1,551,359)

Disposal proceeds, property and equipment 1,100 44,250

(3,064,580) (2,501,634)

Increase (decrease) in cash and cash equivalents

572,967 (263,077)

Cash and cash equivalents, beginning of year

125,635 388,712

Cash and cash equivalents, end of year

\$ 698,602 \$ 125,635

The accompanying notes are an integral part of these consolidated financial statements.

Anterra Corporation

Notes to Consolidated Financial Statements

December 31, 2005 and 2004

1. Nature of Operations

The Company was incorporated under the Alberta Business Corporations Act on March 22, 2000 as Holy Smoke Capital Corp. On November 1, 2002 the Company changed its name to Anterra Corporation.

The principal activities of the Company are the exploration, development and production of oil and gas properties and the development of associated fee based projects.

2. Significant Accounting Policies

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. Actual results could differ from those estimates. These consolidated financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Basis of consolidation

The consolidated financial statements include those of the Company and its wholly owned subsidiary Anterra Resources Inc. from its date of acquisition October 31, 2002 and Anterra Midstream Inc. from its date of incorporation May 1, 2003. Suffield Resources Inc. was purchased on November 30, 2004 and was immediately amalgamated with Anterra Midstream Inc. All material inter-company transactions have been eliminated.

(b) Financial instruments

The Company carries a number of financial instruments as detailed on the balance sheet. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

(c) Revenue recognition

Revenues associated with the sale of crude oil and natural gas are recorded when the title passes to the customer. Revenues from crude oil and natural gas production from properties in which the Company has an interest with other producers are recognized on the basis of the Company's net working interest. Alberta Royalty Tax Credits are netted against oil and gas royalties. Revenues from midstream processing are recognized when the service is completed.

(d) Stock-based compensation plan

The Company records compensation expense in the Consolidated Financial Statements for stock options granted to employees and directors using the fair value method. Fair values are determined using the Black-Scholes option pricing model.

December 31, 2005 and 2004

2. Significant Accounting Policies - continued

(e) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, bank balances (including temporary bank overdrafts), term deposits and investments with maturities of three months or less.

(f) Property and equipment

Petroleum and Natural Gas Properties and Equipment

The Company follows the full cost method of accounting for oil and natural gas operations whereby all costs relating to the acquisition, exploration and development of oil and natural gas reserves, including asset retirement costs, are initially capitalized. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells, related production equipment costs, asset retirement and abandonment costs and overhead charges directly related to acquisition, exploration and development activities.

Capitalized costs, excluding costs related to unproven properties, will be depleted and depreciated using the unit-of-production method based on estimated proven oil and natural gas reserves before deduction of royalties as determined by independent petroleum engineers. Petroleum and natural gas reserves and production are converted to equivalent barrels of oil using a ratio of six thousand cubic feet of natural gas to one barrel of oil.

Costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

Proceeds from the sale of petroleum and natural gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would result in a greater than 20% change in the depletion and depreciation rate. An impairment loss is recognized in net earnings when the carrying amount of a cost centre is not recoverable and the carrying amount of the cost centre exceeds its fair value. The carrying amount of the cost centre is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows from proved reserves. If the sum of the cash flows is less than carrying amount, the impairment loss is limited to the amount by which the carrying amount exceeds the sum of:

- i. the fair value of proved and probable reserves; and
- ii. the costs of unproved properties that have been subject to a separate impairment test and contain no probable reserves.

Processing Equipment and Furniture and Fixtures

Processing equipment and furniture and fixtures are carried at cost and depreciated net of estimated salvage values on a straight line basis over the estimated service lives of the assets, from 5 to 20 years.

Anterra Corporation
Notes to Consolidated Financial Statements

December 31, 2005 and 2004

2. Significant Accounting Policies - continued

(g) Intangible assets

Intangible assets consist of certain permits, licenses, trademarks and agreements. Amortization provided for, where applicable, on a straight-line basis over the useful life of the assets, up to twenty years. The Company assesses impairment of the carrying value of intangible assets at least annually. The expected future economic benefit from the underlying assets is compared to the net book values and impairment, if any, is recorded as additional amortization.

(h) Asset retirement obligation ("ARO")

Retirement costs equal to the retirement obligation are capitalized as part of the cost of property and equipment and amortized to expense through depletion over the life of the asset. The change in the liability due to the passage of time is measured by applying an interest method of allocation to the opening liability and is recognized as an increase in the carrying value of the liability and an expense. The expense is recorded as asset retirement accretion expense in the statement of operations, not as a component of interest expense. A change in the liability resulting from revisions to either the timing or the amount of the original estimate of undiscounted cash flows is recognized as an increase or decrease in the carrying amount of the liability, with an offsetting increase or decrease in the carrying amount of the associated asset. Any difference between the actual costs incurred upon settlement of the ARO and the recorded liability is recognized in earnings in the period in which the settlement occurs.

(i) Measurement uncertainty

Amounts recorded for depreciation, depletion and amortization, asset retirement costs and obligations and amounts used for ceiling test and impairment calculations are based on estimates of oil and natural gas reserves, future costs required to develop those reserves, production rates, oil and gas prices and other relevant assumptions. By their nature, these estimates of reserves and the related future cash flows are subject to measurement uncertainty, and the impact on the financial statements of future periods could be material.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which were fully tradable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Corporation's stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

The financial statements include accruals based on the terms of existing joint venture agreements. Due to varying interpretations of the definition of terms in these agreements the accruals made by management in this regard may be significantly different from those determined by the Company's joint venture partners. The effect on the financial statements resulting from such adjustments, if any, will be reflected prospectively.

Anterra Corporation
Notes to Consolidated Financial Statements

December 31, 2005 and 2004

2. Significant Accounting Policies - continued

(j) Future income taxes

The Company follows the tax liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the carrying value and the tax basis of assets and liabilities, and measured using the substantively enacted tax rates and laws expected to be in effect when the differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period in which the change occurs.

(k) Per share information

Basic loss per share is computed by dividing earnings by weighted average number of shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue shares were exercised or converted to shares. The treasury stock method is used to determine the dilutive instruments.

(l) Flow-through shares

The Company has financed a portion of its planned exploration and development activities through the issue of flow-through shares. Under terms of the flow-through agreements, the income tax deductions attributable to the capital expenditures are renounced to the subscribers. This renunciation increases the company's future tax liability and the cost is charged against the gross proceeds of the share issuance at the time the capital expenditures are renounced to the subscribers for issuances after May 31, 2005 at the date of filing the renunciations. In the prior years, the tax effect was recorded in the year of financing.

(m) Joint venture operations

Some of the Company's petroleum and natural gas exploration activities are conducted jointly with others. These consolidated financial statements reflect only the Company's proportionate interest in such activities.

(n) Goodwill

Goodwill, which represents the excess of purchase price over fair value of net assets received, is not amortized, but is assessed at least annually for impairment. To assess impairment, the fair value of the reporting unit is determined and compared to the book value of the reporting unit. If the fair value is less than the book value, then a second test is performed to determine the amount of the impairment. The amount of the impairment is determined by deducting the fair value of the reporting unit's assets and liabilities from the fair value of the reporting unit to determine the implied fair value of goodwill and comparing that amount to the book value of the reporting unit's goodwill. Any excess of the book value of goodwill over the implied fair value of goodwill is the impaired amount.

(o) Commodity Contracts

Commodity contracts that do not meet the criteria for the use of hedge accounting are recorded on the balance sheet at fair value and changes in fair value are recognized in income in the period in which the change occurs. As the Company had no such contracts in 2004 or 2005, there is no effect on the financial statements of implementation of this policy.

Anterra Corporation
Notes to Consolidated Financial Statements

December 31, 2005 and 2004

3. Business Acquisition

On November 30, 2004 the Company acquired all of the issued and outstanding common shares and certain debts payable of Suffield Resources Inc. The acquisition was accounted for using the purchase method with the results of operations included from November 30, 2004 the effective date of acquisition. A block discount of 15% was applied to the share price, which was valued at \$0.177 per share:

	Book Value	Fair Value	Difference
Current assets	\$ 32,183	\$ 32,183	\$ -
Current liabilities	(29,149)	(29,149)	-
Working capital	3,034	3,034	-
Property, plant and equipment	757,967	757,967	-
Licenses and permits	-	302,500	302,500
Asset retirement obligation	(40,297)	(40,297)	-
Future income taxes	25,304	(14,696)	(40,000)
Goodwill	-	606,017	606,017
Net assets acquired	<u>\$ 746,008</u>	<u>\$ 1,614,525</u>	<u>\$ 868,517</u>
Purchase price			
-Value attributed to 1,600,000 shares issued (Note 10)		\$ 240,000	
-Long term debt issued		380,000	
-Cash		994,525	
		<u>\$ 1,614,525</u>	

4. Related Party Transactions

Except as disclosed elsewhere the Company had the following related party transactions:

- (a) The private placement of 1,280,000 Common Shares on December 14 and 15, 2005 included 550,000 shares issued to directors and officers of the Company.
- (b) The private placement of 2,850,000 flow-through Common Shares on November 5, 2004 included 1,341,034 shares issued to directors and officers of the Company.
- (c) During 2005, a corporation owned by an officer and director charged \$57,900 (2004 - \$47,685) to the Company for office space and related services (Note 15). A legal firm of which a director is a partner charged the Company \$30,437 (2004 - \$39,400) for fees and services.
- (d) The Company is leasing office space and related services from a director's corporation. This lease expires on March 31, 2007 and has monthly payments of \$5,800.

All related party transactions in the normal course of operations have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties.

Anterra Corporation
Notes to Consolidated Financial Statements

December 31, 2005 and 2004

5. Property and Equipment

	2005			2004		
	Cost	Accumulated depletion, depreciation and amortization	Net Book Value	Cost	Accumulated depletion, depreciation and amortization	Net Book Value
Petroleum and natural gas properties and equipment	\$ 7,484,139	\$ 1,512,158	\$ 5,971,981	\$ 4,584,582	\$ 619,603	3,964,979
Processing equipment and furniture and fixtures	2,856,277	299,685	2,556,592	2,692,452	163,258	2,529,194
	\$ 10,340,416	\$ 1,811,843	\$ 8,528,573	\$ 7,277,034	\$ 782,861	\$ 6,494,173

Included in processing and other assets above is an asset on which a capital lease was paid out in 2005. In 2005, the asset had a net book value of approximately \$12,207 (2004 - \$18,718).

Costs totaling \$440,000 related to seismic work on unproved properties was excluded from the depletion calculation in 2005.

An impairment test calculation was performed on the Company's property, plant and equipment at December 31, 2005 in which the estimated undiscounted future net cash flows associated with the proved reserves exceeded the carrying amount of the Company's property, plant and equipment.

The following table outlines benchmark prices used in the impairment test at December 31, 2005:

Year	WTI Crude Oil US\$/bbl	Exchange Rate US\$/CDN\$	Edm Light Crude Cdn\$/bbl	AECO Natural Gas Net of Transportation CDN\$/Mcf
2006	59.00	0.86	67.63	10.25
2007	58.00	0.85	67.20	9.00
2008	52.00	0.83	61.70	7.75
2009	48.00	0.83	56.80	7.00
2010	46.00	0.83	54.40	6.60
2011	46.00	0.83	54.40	6.70
2012	46.50	0.83	55.00	6.80
2013	47.00	0.83	55.60	6.90
2014	48.50	0.83	57.40	7.00
2015	49.00	0.83	58.00	7.10
2016	49.50	0.83	58.60	7.20
Thereafter	2.0%/yr		2.0%/yr	2.0%/yr

Anterra Corporation
Notes to Consolidated Financial Statements

December 31, 2005 and 2004

6. Intangible Assets

	2005			2004		
	Cost	Accumulated depreciation	Net Book Value	Cost	Accumulated depreciation	Net Book Value
Licenses and permits	\$ 312,501	\$ 9,799	\$ 302,702	\$ 312,501	\$ 1,260	\$ 311,241

On November 30, 2004, licenses and permits additions of \$302,500 were added as part of the acquisition of Suffield Resources Inc. (Note 3).

7. Bank Loan

The Company had available a \$3,000,000 (2004 - \$2,400,000) revolving demand loan facility with a chartered bank. The loan bears interest at prime plus 3/4%, an effective rate at year end of 5.75% in 2005 (2004 - 5%), and is secured by a general assignment of book debts and a \$10,000,000 first floating charge debenture over all assets of the Company. The availability under the facility is subject to periodic review. On March 15, 2006 the facility was amended to \$4,000,000 and a further \$500,000 non-revolving acquisition demand loan provided, bearing interest at prime plus 1%, with monthly reductions of \$20,000 commencing May 31, 2006. The facilities are subject to annual review by April 30, 2006. As at December 31, 2005, the Company had drawn \$2,050,000 (2004 - \$1,775,000). At December 31, 2005 and 2004, the Company was in compliance with its debt covenants.

8. Long Term Debt

	2005	2004
5% Subordinated debentures (a)	\$ 171,000	\$ 380,000
Capital leases (b)	-	20,282
	171,000	400,282
Less current portion	(171,000)	(400,282)
	\$ -	\$ -

(a) 5% Subordinated Debentures

The debentures mature on March 31, 2006 and bear interest at 5% per annum payable at maturity. They are secured by a floating charge over the assets of an operating subsidiary of the Company and are subordinate to any present and future senior indebtedness of the Company or its subsidiary.

(b) Capital lease

The capital lease had a term of three years and was retired in 2005. It was secured by specific assignment of a related capital asset, with interest charged at 8.55%, with payments of \$633, including interest, due monthly.

Anterra Corporation
Notes to Consolidated Financial Statements

December 31, 2005 and 2004

9. Asset Retirement Obligation

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of oil and gas properties.

	<u>2005</u>	<u>2004</u>
Asset retirement obligation, beginning of year	\$ 994,073	\$ 821,269
Liabilities assumed on corporate acquisition	-	40,297
Liabilities incurred	-	54,318
Accretion expense	89,467	78,189
Asset retirement obligation, end of year	<u>\$ 1,083,540</u>	<u>\$ 994,073</u>

The undiscounted amount of cash flows, required over the estimated reserve life of the underlying assets, to settle the obligation, adjusted for inflation, is estimated at \$2,872,000 (2004 - \$2,877,000). The obligation was calculated using a credit-adjusted risk free discount rate of 9 percent and an inflation rate of 2 percent. It is expected that this obligation will be funded from general Company resources at the time the costs are incurred with the majority of costs expected to occur between 2007 and 2023.

10. Share Capital

(a) Authorized

Unlimited number of Common Shares

Unlimited number of Preferred shares issuable in series, rights and privileges to be determined upon issue.

(b) Issued

	<u>2005</u>		<u>2004</u>	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	21,930,000	\$ 2,994,697	17,380,000	\$ 2,455,355
Shares issued on warrant exercise	-	-	100,000	15,000
Shares issued on option exercise	655,000	110,750	-	-
Private placement of flow through shares for cash	-	-	2,850,000	855,000
Private placement of common shares for cash	1,280,000	640,000	-	-
Shares issued for acquisition (Note 3)	-	-	1,600,000	240,000
Share issue costs	-	(3,814)	-	(10,035)
Tax benefits renounced on flow-through shares	-	-	-	(560,623)
Balance, end of year	<u>23,865,000</u>	<u>\$ 3,741,633</u>	<u>21,930,000</u>	<u>\$ 2,994,697</u>

Anterra Corporation
Notes to Consolidated Financial Statements

December 31, 2005 and 2004

10. Share Capital - continued

(c) Stock options

The Company has a stock option plan under which employees, directors and consultants are eligible to receive grants. On December 31, 2005 2,386,500 (2004 – 1,771,257) common shares were reserved for issuance under the plan. Options granted under the plan have varying vesting periods and are determined by the Board at the grant date.

A summary of the status of the Corporation's stock option plan as at December 31, 2005 and 2004 and changes during the years ending on those dates is presented below.

Stock Options	Number of options	2005 Weighted average exercise price	Number of options	2004 Weighted average exercise price
Beginning of year	1,285,000	\$0.15	900,000	\$0.15
Granted	1,700,000	\$0.47	385,000	0.22
Exercised	(655,000)	\$0.15	-	-
Cancelled	(120,000)	\$0.24	-	-
End of year	2,210,000	\$0.39	1,285,000	\$0.17
Exercisable, end of year	1,186,667	\$0.37	874,999	\$0.16

For the Year Ended December 31, 2005

Date of Grant	Number Outstanding	Weighted Average Exercise Price	Date of Expiry	Number Exercisable December 31, 2005
Dec. 10, 2002	200,000 ⁽¹⁾	\$0.15	Dec. 10, 2007	200,000
March 29, 2004	260,000 ⁽²⁾	\$0.23	March 29, 2009	136,667
July 15, 2004	100,000 ⁽³⁾	\$0.21	July 15, 2009	100,000
March 10, 2005	250,000 ⁽⁴⁾	\$0.29	March 10, 2010	-
May 18, 2005	75,000 ⁽⁵⁾	\$0.32	May 18, 2010	75,000
Sept 15, 2005	1,075,000 ⁽⁶⁾	\$0.50	Sept 15, 2010	591,667
Nov. 3, 2005	250,000 ⁽⁷⁾	\$0.48	Nov 3, 2010	83,333
	2,210,000			1,186,667

⁽¹⁾ 200,000 of the options vested immediately with 600,000 vesting equally on the first, second and third anniversary of the date. 555,000 have been exercised and 45,000 have been cancelled to date.

⁽²⁾ 75,000 of the options vested immediately with 210,000 vesting equally on the first, second and third anniversary of the date. 25,000 have been cancelled to date.

⁽³⁾ These options vested immediately upon issuance.

⁽⁴⁾ These options vest equally on the first, second and third anniversary of the date.

⁽⁵⁾ These options vested immediately upon issuance. 50,000 have been cancelled to date.

⁽⁶⁾ 591,667 of the options vested immediately with 483,333 vesting equally on the first and second anniversary of the date.

⁽⁷⁾ 83,333 of the options vested immediately with 166,667 vesting equally on the first and second anniversary of the date.

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December 31, 2005 and 2004

10. Share Capital - continued

For the Year Ended December 31, 2004

Date of Grant	Number Outstanding	Weighted Average Exercise Price	Date of Expiry	Number Exercisable December 31, 2004
June 22, 2000	100,000	\$0.15	June 22, 2005	100,000
Dec. 10, 2002	800,000 ⁽⁸⁾	\$0.15	Dec. 10, 2007	599,999
March 29, 2004	285,000 ⁽⁹⁾	\$0.23	March 29, 2009	75,000
July 15, 2004	100,000 ⁽¹⁰⁾	\$0.21	July 15, 2009	100,000
	<u>1,285,000</u>			<u>874,999</u>

⁽⁸⁾ 200,000 of the options vested immediately with 600,000 vesting equally on the first, second and third anniversary of the date.

⁽⁹⁾ 75,000 of the options vested immediately with 210,000 vesting equally on the first, second and third anniversary of the date.

⁽¹⁰⁾ These options vested immediately upon issuance.

11. Contributed Surplus

The following table presents the reconciliation of the beginning and ending balance of the contributed surplus:

	2005	2004
Contributed surplus, beginning of year	\$ 24,566	\$ -
Exercised stock options	(12,500)	-
Stock compensation expense	201,423	24,566
Contributed surplus, end of year	\$ 213,489	\$ 24,566

Anterra Corporation
Notes to Consolidated Financial Statements

December 31, 2005 and 2004

12. Income Taxes

- (a) The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate income tax rate to income (loss) before income taxes. The major components of these differences are explained as follows:

	2005	2004
Income before taxes	\$ 542,973	\$ 351,479
Corporate income tax rate	34.2%	37.50%
Expected tax expense	\$ 185,697	\$ 131,805
Increase (decrease) in future income taxes resulting from:		
Non-deductible crown charges	59,654	33,042
Tax resource allowance	(103,777)	(65,060)
Future tax rate reductions	(87,655)	(24,460)
Stock compensation expense	68,887	9,212
Non-deductible expenses	1,350	648
Change in valuation allowance	(24,162)	(9,181)
Other	(5,050)	-
Income tax expense	\$ 94,944	\$ 76,006

- (b) Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. The components of the Company's future income tax assets and liabilities are as follows:

Nature of temporary differences	2005	2004
Property, plant and equipment	\$ (1,825,261)	\$ (1,819,675)
Asset retirement obligations	374,905	372,777
Non-capital losses	340,431	231,136
Share issue costs and finance fees	5,611	11,630
	(1,104,314)	(1,204,132)
Valuation allowance	(90,954)	(115,116)
Future income tax liability	\$ (1,195,268)	\$ (1,319,248)

- (c) The Company has non-capital losses available for income tax purposes of approximately \$984,000 (2004 - \$595,000) which are available to reduce taxable income in future years. The losses commence expiring in 2008.

Anterra Corporation

Notes to Consolidated Financial Statements

December 31, 2005 and 2004

13. Non-Cash Transactions

Business acquisition

On November 30, 2004, per Note 3, the Company acquired the shares of Suffield Resources Inc. A portion of the payment was made through the issuance of 1,600,000 shares with a fair value of \$240,000, and notes payable assumed of \$380,000.

14. Weighted Average Number of Shares

The following table summarizes the calculation of basic net income and diluted net income per share.

	2005	2004
Net income available to common shareholders	448,029	275,473
Weighted-average number of common shares outstanding - basic	22,191,274	17,970,411
Dilutive effect of stock options ⁽¹⁾	277,357	303,830
Weighted-average number of commons shares outstanding—diluted	22,468,631	18,274,241
Net income per share (\$/share)		
Basic	\$0.020	\$0.015
Diluted	\$0.020	\$0.015

⁽¹⁾ Excluded from the above dilutive stock options is 1,325,000 which were not in the money at December 31, 2005.

15. Commitments and Contingencies

The Company is subject to various regulatory and statutory requirements relating to the protection of the environment. The Company has recognized a liability at December 31, 2005 of \$1,083,540 (2004 - \$994,073) related to the retirement of its long-lived petroleum assets based on current legislation and estimated costs. Any changes in these estimates will affect future earnings. Costs attributable to these commitments and contingencies are expected to be incurred over an extended period of time and are to be funded mainly from the Company's cash provided by operating activities.

The operations of the Company are complex, and regulations and legislation affecting the Company are continually changing. Although the ultimate impact of these matters on net earnings cannot be determined at this time, it could be material for any one quarter or year.

The Company has entered into a lease arrangement for office space and related services to March 31, 2007. The future minimum lease payments total \$87,000 (2006- \$69,600 and 2007- \$17,400).

The Company has entered into employment agreements with certain senior management. In addition to defining the terms of employment, the agreement entitles the employees to payment ranging from 3 months to 1 year of compensation for termination without cause or in the event of a change of control.

Anterra Corporation
Notes to Consolidated Financial Statements

December 31, 2005 and 2004

16. Stock Compensation

The Company records stock-based compensation expense for all common share options granted to employees and directors after January 1, 2003. Common share options granted prior to January 1, 2003, did not result in a compensation expense. The Company continues to disclose the pro forma earnings impact for these options.

Had compensation expense been determined based on the fair value at the grant dates for options granted in 2002, the net loss and loss per share would have been reduced to the pro forma amounts indicated below:

		2005	2004
Net income	- as reported	\$ 448,029	\$ 275,473
	- pro forma	\$ 446,573	\$ 271,476
Income per share - basic	- as reported	\$ 0.020	\$ 0.015
	- pro forma	\$ 0.020	\$ 0.015
Income per share - diluted	- as reported	\$ 0.020	\$ 0.015
	- pro forma	\$ 0.020	\$ 0.015

The fair value of share options granted in 2005 had a weighted average fair value of \$0.22 (2004 - \$0.08) which was estimated using the Black-Scholes option pricing model with the following assumptions:

	2005	2004
Dividend yield	Nil	Nil
Expected volatility	70%	30%
Risk free rate of return	3.3%	5%
Weighted average life	3 years	5 years

17. Financial Instruments

As disclosed in Note 2(b), the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to fair value, interest rate and industry credit risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

(a) Commodity price risk

The Company will be subject to commodity price risk for the delivery of natural gas and crude oil.

(b) Credit risk

A significant portion of the Company's cash is currently held with the same financial institution and, as such, the Company is exposed to concentration of credit risk. Substantially all the Company's accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks.

Anterra Corporation
Notes to Consolidated Financial Statements

December 31, 2005 and 2004

17. Financial Instruments - continued

(c) Interest rate risk management

The Company's borrowings are subject to floating rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates.

As at December 31, 2005, the increase or decrease in net earnings before taxes for each 1% change in interest rates on floating rate debt amounts to approximately \$20,500 (2004 - \$17,750). The related disclosures regarding the debt instruments are included in Note 7 of these consolidated financial statements.

18. Subsequent Events

On March 15, 2006, the Company completed an acquisition of the shares of Panterra Energy Corp. Ltd. for cash amounting to \$1,250,000. In conjunction with this transaction, the Company increased its credit facilities with the Bank to \$4,500,000 (Note 7).

19. Segmented Information

The Company has two reportable segments. The Oil and Gas Production segment explores for, develops and produces oil and gas. The Midstream Processing segment provides processing and disposal services in the oil and gas industry.

For the year ended December 31, 2005	Oil and Gas Production	Midstream Processing	Other Corporate	Eliminations	Consolidated
Revenue	\$ 4,603,714	\$ 963,315	\$ -	\$ (232,589)	\$ 5,334,440
Other revenue	-	-	488	-	488
Total Revenue	4,603,714	963,315	488	(232,589)	5,334,928
Royalties	(360,319)	-	-	-	(360,319)
Net Revenue	4,243,395	963,315	488	(232,589)	4,974,609
Operating expenses	1,512,996	783,762	-	(232,589)	2,064,169
Depletion, depreciation	879,902	158,576	-	-	1,038,478
Asset retirement accretion	76,754	12,713	-	-	89,467
Income before corporate items	1,773,743	8,264	488	-	1,782,495
General and administrative	777,241	103,209	26,932	-	907,382
Stock compensation	-	-	201,423	-	201,423
Interest	56,351	74,124	-	-	130,475
Loss on sale of assets	-	-	242	-	242
Income taxes	202,711	(83,605)	(24,162)	-	94,944
Net profit for the year	\$ 737,440	\$ (85,464)	\$(203,947)	\$ -	\$ 448,029
Capital expenditures, net	\$ 2,899,557	\$ 165,023	\$ -	\$ -	\$ 3,064,580

Anterra Corporation
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December 31, 2005 and 2004

19. Segmented Information - Continued

For the year ended December 31, 2004	Oil and Gas Production	Midstream Processing	Other Corporate	Eliminations	Consolidated
Revenue	\$ 2,541,745	\$ 944,692	\$ -	\$ (338,581)	\$ 3,147,856
Other revenue	-	-	400	-	400
Total Revenue	2,541,745	944,692	400	(338,581)	3,148,256
Royalties	(162,844)	-	-	-	(162,844)
Net Revenue	2,378,901	944,692	400	(338,581)	2,985,412
Operating expenses	1,288,263	529,498	-	(338,581)	1,479,180
Depletion, depreciation	346,513	109,248	-	-	455,761
Asset retirement accretion	66,301	11,888	-	-	78,189
Income before corporate items	677,824	294,058	400	-	972,282
General and administrative	280,640	126,949	83,460	-	491,049
Stock compensation	-	-	24,566	-	24,566
Interest	97,099	8,089	-	-	105,188
Income taxes	82,555	2,632	(9,181)	-	76,006
Net Profit	\$ 217,530	\$ 156,388	\$ (98,445)	\$ -	\$ 275,473
Capital expenditures, net	\$ 1,277,018	\$ 274,341	\$ -	\$ -	\$ 1,551,359

CORPORATE INFORMATION

Directors

James H. Coleman
Jacob T. Halldorson
Owen C. Pinnell
John K. Read
J. Ronald Woods

Officers

Owen Pinnell	-	Executive Chairman and CEO
Bob McCuaig	-	Executive Vice President and General Manager
Giles Parker	-	Vice President, Finance and CFO
Hugh Stewart	-	Vice President, Oil & Gas
Gerry Cartmell	-	Vice President, Engineering and Production
Steve Brown	-	Vice President, Land
Sheila McKinley	-	Vice President and Controller of the Company's subsidiaries
Marlene Stewart	-	Corporate Secretary

Head Office

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Stock Exchange

TSX Venture Exchange
Trading Symbol: ATR

Auditors

Deloitte & Touche LLP

Bankers

National Bank of Canada

Web Site

www.anterra.org

Abbreviations

ARTC Alberta Royalty Tax Credit
bbls/d barrels per day
boe barrels of oil equivalent
mbbl thousand barrels
mmboe million barrels of oil equivalent
mcf/d thousand cubic feet per day
WTI West Texas Intermediate

bbl barrel
bcf billion cubic feet
boe/d barrels of oil equivalent per day
mboe thousand barrels of oil equivalent
mcf thousand cubic feet
NGLs natural gas liquids
TSX TSX Venture Exchange

Conversion of Units

1.0 bbl = 0.159 cubic meters
1.0 mcf = 28.2 cubic meters
Natural gas is equated to oil on the basis
of 6mcf = 1 boe

6.29 bbls = 1.0 cubic meter
0.035 mcf = 1.0 cubic meter

